



IDAHO

DEPARTMENT OF FINANCE

C. L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

April 11, 2008



Re: Opinion regarding salesman registration

Dear Mr.

This is in response to your amended request for an opinion as to whether the solicitation of "Independent Financial Advisors" and others in gaining access to investors for investment in would require that you and the "Independent Financial Advisors" be registered as agents under the Idaho Uniform Securities Act (IUSA).

Salesman Registration

From your written request of March 11, 2008 and our subsequent meeting with you on April 9, 2008, it is our understanding that the term "Independent Financial Advisors" includes registered broker-dealer representatives, and registered investment advisers. You have also stated that it includes "others" that may have access to potential investors who are accredited.

It is our understanding that the "Independent Financial Advisors" will be compensated as follows: "4% of the stock in is to be set aside to be used and awarded to those individuals that are instrumental in successfully assisting in the capitalization efforts for .

" In discussing compensation, your letter references that "This [the compensation program] is open to virtually any individual that may successfully assist in the capitalization initiative and is not solely restricted to Financial Advisors". You have also given those who view receiving compensation from as a conflict of interest the option to donate their compensation from to a charity of their choice.

Compensation is a critical element in determining the jurisdiction of the IUSA over the solicitation of investments. Section 30-14-402 (b) (3) of the IUSA provides an exemption from registration for:

"an individual who represents an issuer with respect to an offer or sale of the issuer's own securities or those of the issuer's parent or any of the issuer's subsidiaries, and who is not compensated in connection with the individual's participation by the payment of commissions or other remuneration based, directly or indirectly, on transactions in those securities."

During our meeting with you on April 9, 2008, you clarified that you will not receive compensation from , whether directly or indirectly related to sales of securities. However, it is apparent that the "Independent Financial Advisors" will be compensated, although not entirely, if at all, with cash. All "Independent Financial Advisors" will also be compensated through "other remuneration" in the form of stock in . Even though some may choose to donate their compensation to a charity, we view this as compensation unless the donation is not in the name of the "Independent Financial Advisor" and does not otherwise construe a benefit to this individual.

SECURITIES BUREAU

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In summary, it appears that you will not be compensated by ☐ for the sale of its securities and you will be soliciting investments through and from registered broker-dealer agents or investment advisers, and others that are not registered broker-dealer agents or investment advisers. In light of the above, it is our view that you, as an issuer agent, are not required to be registered as such under the IUSA.

It also appears that all of the "Independent Financial Advisors" will be compensated in the form of stock in ☐ or cash. It is our view that all compensated "Independent Financial Advisors" as you have defined, will be required to be registered under the IUSA as broker-dealers, agents, investment advisers, or issuer agents unless otherwise exempt under the IUSA.

Investor Qualification

Although other individuals that solicit or recommend the purchase of ☐ securities have an obligation to perform due diligence and qualify investors, please be aware that ☐ must ensure that **all** investors to whom it **offers or sells** securities are accredited investors as that term is defined under Regulation D of the Securities Act of 1933 and as set forth in your offering materials.

Our revised opinion regarding the above is based on the facts as represented by you during our meeting and in written correspondence. Should the facts in this matter change or prove to be different than what has been represented, our opinion may change as well.

If you have any questions regarding the above, please contact the undersigned.

Sincerely,

PATRICIA R. HIGHLEY
Senior Securities Analyst
Idaho Department of Finance

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STATE OF IDAHO
DEPT OF FINANCE

11 March 2008

Ms. Patricia Highley
Senior Securities Analyst
Idaho Department of Finance
800 Park Blvd.
Suite 200
Boise, ID 83702

RE: Capitalization Initiative – [REDACTED]

Patty,

I appreciate the generous time and attention extended to me when we met on March 4 to discuss the subject initiative. Your guidance and review is very welcome and invaluable.

Per your request, the following are the initiative details:

Background Information¹

Early in January 2008, [REDACTED] was established/registered in the state of Idaho as a “C” corporation. The filing and Articles of Incorporation were prepared by Mr. [REDACTED] of the legal firm [REDACTED] located in Boise, Idaho. The principal founders and executive officers of the company are; [REDACTED], President & CEO, and [REDACTED], COO.

A five member board of directors is to provide oversight governance of the company. The board is comprised as follows:

- [REDACTED] – executive management representative
- [REDACTED] – executive management representative
- [REDACTED] – legal expertise representative
- [REDACTED] – industry expertise representative
- TBD – financial expertise representative

¹ Articles of Incorporation, Term Sheet, and Equity Splits / Incentive for funding documents are provided as an accompaniment in the electronic transmission of this letter.

The business basis of the company is an outsourced asset management service business specific to material handling assets, i.e., lift trucks. Total capitalization of the company is \$1,000,000. This is comprised of two parts; Trade Services Agreements in the amount of \$100,000, and a Series "A" Preferred stock offering for \$900,000 (Regulation "D" rule 506).

Funding Strategy / Activities

To date, Trade Services Agreements have been put in place for Legal Services ([REDACTED]), and IT ([REDACTED]).

In achieving the general stock offering portion of the capitalization, various strategies are currently either being pursued or considered:

1. General "Word of Mouth" networking toward Accredited Investors currently known to the executive management members of [REDACTED]. Status – currently being pursued.
2. Entreaty to venture funding activity groups such as The [REDACTED] Fund, which has a newly formed chapter in Boise Idaho. The Fund essentially functions as a conduit to provide Fund members (who meet membership requirements as to investment threshold accreditation) access to companies that are seeking venture capital investment funding. The [REDACTED] Fund does not endorse nor guarantee investment ventures that may be individually contemplated by its members. Status – currently being pursued.
3. General outreach communication to "others" that may have access to potential investors. Specifically, databases have been created for Independent Licensed Financial Advisors in the states of Idaho, Utah, and Washington state. The working hypothesis for this third strategy forms the crux of this document for consideration by the Idaho Department of Finance. The detailed specifics follow in the next section. Status – currently being contemplated pending review by the Idaho Department of Finance.

Outreach Funding Strategy toward Independent Financial Advisors

The Independent Financial Advisors would strictly function as an introductory conduit between the funding activities of [REDACTED] and those potential investors whom the Financial Advisor has a relationship with. The Financial Advisor would not act as a sales agent for [REDACTED].

In the course of general discussion between the Financial Advisor and [REDACTED], the Term Sheet and all other relevant documentation would be made known to the Financial Advisor. Upon review and reflection by the Financial Advisor, they would then deem whether investment in [REDACTED] might be of interest to individuals within their network base. While it is presumed that the Financial Advisor would screen their network base for meeting the general qualifications for investing (having previously reviewed

the Term Sheet, etc.), such validation would be accomplished early on by [REDACTED] with the potential investor if necessary in accordance with all legal requirements.

If an introduction is deemed to be warranted by the Financial Advisor, the introduction between [REDACTED] and the potential investor would take place and the Financial Advisor would have accomplished their purpose and now be removed from any further discussions. The purpose of the Financial Advisor acting as an introductory conduit would have been accomplished.

The specifics of the communication strategy to the Independent Financial Advisors are as follows:

- An initial form letter to the Financial Advisor database² that introduces the funding initiative and essentially invites the Financial Advisor to learn more via a webinar.
- If the Financial Advisor accepts an invitation to the webinar, they will experience a Power Point presentation that will highly detail the business concept of [REDACTED] as to its business viability³.
- Following the webinar, additional more highly detailed information is available upon request to either the Financial Advisor and/or can be directed to the actual potential investor as deemed appropriate by the Financial Advisor subsequent to an introduction between [REDACTED] and the potential investor facilitated by the Financial Advisor.

Compensatory Consideration for Introductory Activities of the Financial Advisor

As alluded to in the Financial Advisor form letter, outlined in the Term Sheet and the Equity Splits documents, and to be covered in the webinar, 4% of the stock in [REDACTED] is to be set aside to be used and awarded to those individuals that are instrumental in, successfully assisting in the capitalization efforts for [REDACTED]. This is open to virtually any individual that may successfully assist in the [REDACTED] capitalization initiative and is not solely restricted to Financial Advisors.

The stock equity has a cash convertible option. In the service of their personal activities, and those directed toward the best interests of their clients, the Financial Advisor may choose to eschew any compensatory consideration from [REDACTED]. Equally, they can choose to direct such compensatory consideration to others such as charities, general non-profits, foundations, trusts, etc. [REDACTED] puts no restrictions on such direction.

Patty, I trust this letter substantially explains the capitalization strategy for [REDACTED]. Please advise me should you and/or your department require any further detail or clarification that may assist you in your formal review.

² Copy included with the electronic transmission of this document

³ Copy included with the electronic transmission of this document

[REDACTED]

RE: Capitalization Initiative – [redacted]

Again, I appreciate your time and attention and look forward to receiving your formal review.

Sincerely,

[redacted]

President / CEO

[redacted]

[redacted]